

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2971 – SB 2963

March 4, 2010

SUMMARY OF BILL: Requires any state owned golf course to be leased to a private management company if the course does not generate enough funds to pay for its indebtedness for two consecutive years. Requires the lease to be for a term up to two years and to satisfy the indebtedness within the term. Requires the golf course to be sold if the state cannot secure a lease agreement or renewal of a lease agreement meeting the required terms within 12 months of the expiration of the lease.

ESTIMATED FISCAL IMPACT:

**State Revenue – Net Impact – Not Significant
Decrease State Expenditures – \$1,289,000**

Other Fiscal Impact – Any one-time increase to state revenue resulting from the sale of a property would be followed by an increase to one-time state expenditures of an equivalent amount to purchase replacement property. Additional one-time state expenditures associated with the transfer of properties and development of new properties cannot be reasonably determined. If golf courses are closed, there will be a decrease to recurring state revenue estimated to exceed \$100,000 per year resulting from a decrease in guest usage of other areas of state parks.

Assumptions:

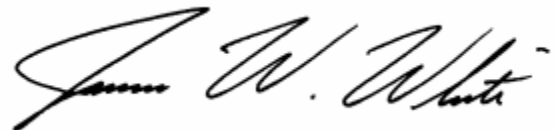
- Based on information provided by Department of Environment and Conservation, any revenue generated from the lease of unprofitable golf courses to private management is unlikely to exceed revenues generated by the golf courses when operated by the state. As a result, any net change to state revenue is estimated to be not significant.
- According to the Department of Environment and Conservation, there are currently 11 golf courses in the state that operated at a total net loss of \$1,600,000 for FY08-09.
- Old Stone Fort and T.O. Fuller courses are planned to be closed according to the Governor's proposed budget for FY10-11. Those courses operate at a total loss of \$311,000.
- Leasing or selling these golf courses to private companies will result in a decrease to state expenditures of approximately \$1,289,000 (\$1,600,000 – \$311,000).
- Federal regulations require that any loss of state park property that was purchased using federal Land and Water Conservation funds be replaced with property of reasonably

equivalent usefulness, location, and at least fair market value. There are eight golf courses in parks that were purchased using federal funds, including Old Stone Fort and T.O. Fuller.

- It cannot be reasonably determined what the cost of purchasing equivalent land would be nor can it be determined how the National Parks Service would rule on proposed replacement property. Because federal law requires replacement property to have at least equal fair market value, it is estimated that after additional costs associated with finding and purchasing new lands, the increase to state expenditures would be greater than the increase to state revenue associated with selling a property.
- Guests to state golf courses generate revenue in other areas of the park such as inns, cabins, campgrounds and other park facilities. Any closure of a state owned golf course would result in a loss in recurring state revenue. In FY08-09 approximately 243,000 guests played golf on a state golf course. At parks with golf courses that have inns and cabins, approximately \$10,200,000 in revenue was generated in FY08-09.
- Closure of golf courses could result from failure to secure a lease or find a buyer. Closure of golf courses would result in a decrease to recurring state revenue exceeding \$100,000 resulting from a decrease in guest usage of inns, cabins, campgrounds, and other areas of state parks.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director

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